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*from CVO's Desk.....*

Fighting corruption is the duty and need of every citizen. The corrupt dare because the upright are tolerant and silent sufferers to the atrocities they are subjected to. What is to be realized is that tolerance and silence are misplaced in this scenario and it tantamount to failure in our duty. For our country to achieve true social and economic progress, and create an India where every citizen will enjoy his rights and quality of life, the rot of corruption needs to be stemmed. It is the responsibility of every citizen to respond to this call and do what little he can at the individual and group levels, to fight corruption.

After all, as the Taitreya Upanishad says, let us come together, let us enjoy together, let our strengths come together, let there be the brightness of knowledge, let there be no poison of misunderstanding or hatred. That is the path we should follow to fight corruption and ensure the bright future of the nation.

Hope you will find this issue interesting and helpful.

With best wishes,

(K.Vidyasagar, IAS)

## CORRUPTION PERCEPTIONS INDEX (CPI) 2010

As per the CPI 2010 released by Transparency International (TI), there has been a decline in India's integrity score from 3.5 in 2007, 3.4 in 2008 and 2009 to 3.3 in 2010, on a scale from 0 (highly corrupt) to 10 (least corrupt).

India's rank also dropped to 87 out of 178 countries from 84 in 2009. The full report is available at <http://www.transparency.org>

## GLOBAL CORRUPTION BAROMETER (GCB)

According to GCB-2010, a global public opinion survey on the state and status of corruption in various services in different countries conducted by TI, political parties were perceived to be most corrupt institution by Indians. Police and parliament/legislature were rated by about 97 per cent of respondents as the most corrupt institutions in India. Other institutions that were termed corrupt included the public officials/civil servants, private sector, media, and judiciary. Nearly three-fourths of the respondents opined

that level of corruption in India had increased in the past three years. Similarly, three-fourths of the people sampled felt that the government had not been effective in addressing corruption. Respondents, however, expressed their maximum trust in media in fighting corruption. The common man mostly contacted public utilities (31.6%) followed by Education (24.1%) and Medical Services (20.9%). (Source: Quarterly News Letter of TI (India) - Volume - VII, Number-4).

**TOLL FREE NUMBER FOR LODGING COMPLAINTS WITH VIGILANCE DEPT.,  
1800 425 8878**



## PROBLEM AREAS OF CORRUPTION IN CONSTRUCTION

Continuation ...

The Chief Technical Examiner's organisation of Central Vigilance Commission had released a booklet on "Problem Areas of Corruption in Construction" in Aug 2002. The first part of the same was reproduced for information and guidance of our readers in Spandana (July - September 2010). This is the second part and subsequent issues of Spandana will cover the remaining part of this booklet.

### 4. DETAILED ESTIMATE & TECHNICAL SANCTION

The detailed estimate supported by complete details such as schedule of all items, quantities, rate, cost, drawings, specifications, rate analysis, measurement details needs to be prepared for each work and technical sanction of competent authority should be obtained. Technical sanction ensures that the proposal is structurally sound and estimate is an economical one. The nomenclature of various items of works should be without ambiguity. The rates should be adopted from standard schedule of rates and for non-schedule items, rates should be based on proper an analysis of rates. If the estimate is prepared by the consultants, the estimate has to be checked and sanctioned by the competent engineers of the organisation which appointed the consultant to ensure economy as well as structural soundness of the project.

#### 4.1 PROBLEMS

##### 4.1.1 Estimate not prepared

Instances have come to the notice of this organization, where the process of preparation of detailed estimate and call of tenders was dispensed with and contractors were asked to execute the work.

**ILLN 1 :** An additional work which cost Rs.5.00crores was straight away entrusted to the contractor who was executing the adjoining work. As such, undue favour was extended to the favourite contractor, who got the additional work without going through the competition.

**ILLN 2:** Tender was invited on the plinth area basis and the work was awarded at exorbitantly high rates based on the rough cost estimate prepared by the plinth area method.

**4.1.2** No sanction accorded for the estimate to ensure economy and structural soundness.

Very often, the detailed estimated prepared by the consultants were not checked by the Department. Tenders were invited based on the cost estimated by the consultant. The estimate prepared by the consultants are usually inflated one. Invitation of tenders based on such inflated estimates often lead to the possibility of acceptance of the same at higher rates extending undue financial benefit to the contractor.

**ILLN :** Item of brick drain costing Rs.2.00crores was incorporated arbitrarily in the estimate of highway project without doing proper design for the drain. The drain collapsed later on resulting in huge loss of the public money.

##### 4.1.3 Nomenclature of items - ambiguous

Any ambiguity in the nomenclature of the items in the estimate results in quoting of erratic rates by the contractor as well as in disputes, ultimately resulting in loss to the organization.

**ILLN :** Items of aluminum works having high unit rates were taken on sq. mtr. basis without giving any reference to relevant drawing number etc. in the nomenclature of items. The contractor provided lightweight sections during execution resulting in undue benefit to him.

#### 4.1.4 i) No schedule of rates followed

##### ii) No analysis for non-schedule items

Detailed estimates should be prepared on the basis of standard schedule of rates and in case standard schedule of rates is not followed, the rate need to be analysed based on NBO/CPWD guidelines etc. If the above procedure is not followed, it results in adoption of arbitrary rates for items in the Detailed Estimate. This ultimately will lead to inflated estimated cost, which could be a source of corruption.

**ILLN :** In a building work, arbitrary lump sum rates were adopted. Coefficients for various components of analysis of rates were taken arbitrarily such as contractor's profit to the tune of 25-30% against the standard 10%. This formed the basis for awarding the work at much higher cost than the justified.

#### 4.1.5 No details and reference to drawings for quantities adopted

It was observed in many cases that the details of measurements and drawings are not made as a part of the detailed estimate resulting in arbitrary adoption of quantities in the estimate. This often led to abnormal and unreasonable deviation in the quantity of various items of the work. The above again can be a source of corruption during execution to extend undue benefit to the contractor.

#### 4.1.6 Same component repeated in more than one item

Repetitive stipulation of the same component in more than one item in the detailed estimate, results in over payment to the contractor.

**ILLN:** Tack coat was included in the bituminous items such as bituminous macadam, asphaltic concrete etc. In addition to the above, separate item for tack coat was also provided in the estimate of an airport work. During execution, duplicate payment was made to the contractor to the tune of Rs.50 lakhs.

#### 4.1.7 i) No check on the estimate prepared by the consultants

##### ii) No check on use of imported Material

It is the tendency of the consultants to use costly as well as imported items in the estimate to increase the cost of work as the fee payable to them is fixed as certain percentage of the cost of work. Due to the above, the works are awarded at high rates. Thus the consultants and contractors were benefited during the above process which had become the source of corruption.

#### 4.1.8 Technical sanction based on earlier accepted rates

Instances have come to the notice of this Organization where technical sanction of detailed estimates was prepared based on the high rates quoted by the contractor and accepted in earlier tenders. This resulted in the high estimated cost, which was used for award of work to the contractor at higher rates extending undue benefit to contractor by corrupt officials.

## 5. CONSULTANCY

A few Government departments and most of the Public Sector undertakings appoint Consultants. It was observed that the appointment of consultants were mostly made arbitrarily without transparent manner.

### 5.1 PROBLEM

#### 5.1.1 No Publicity

Appointment of consultant is generally being done without proper publicity and without collecting adequate data about their performance, capabilities, experience etc. Most often, panel of known firms is made and the consultancy contract is given arbitrarily to one of the firms at higher fee without proper publicity and competition.

**ILLN :** Consultant was appointed by a PSU for a fee of Rs.58 crores without inviting tender for a petroleum project.

### 5.1.2 Appointment From Old Panel

It has been observed that consultants are picked up from very old panels kept by the department and contracts were awarded to them arbitrarily. For big projects, the consultants have to be selected by inviting fresh tenders indicating the requirement to get competent consultants at competitive rates instead of selecting them from the old panel.

**ILLN-1:** One organisation engaged Architects from a very old panel prepared 15 years back.

**ILLN-2:** One organization engaged a private firm as the institute's architect for more than 20 years by paying a very high fee resulting in extending undue benefit to single firm.

### 5.1.3 Ad-hoc Rates

Award of consultancy contract at pre-determined/ad-hoc rates and not resorting to competitive price bids results in acceptance of exorbitant fees.

**ILLN:** Architect was appointed arbitrarily for planning and design at a fixed rate of 5% of the cost of construction for construction of a training institute building.

### 5.1.4 Consultant appointed when in-house facility is available

Appointment of consultants when in-house expertise is available, becomes the source of corruption in addition to non-utilisation of available resources.

**ILLN :** One of the Government departments, for a project costing Rs.20.00 crores, incurred expenditure to the tune of Rs. 60.00 lakhs towards payment to the consultants though in-house expertise was available with them. This resulted in loss to the exchequer apart from corruption in the deal.

### 5.1.5 No action for part Performance

Punitive action against the consultants is generally not taken even though they fail to perform the required services as per terms of the contract. This result in financial loss to the Government and also the project is delayed resulting in indirect loss in terms of payment of escalation to the contractor.

**ILLN :** In one of the works, the consultants were paid substantial amount at the early stage of the project though they had submitted only preliminary drawings. Subsequently, the consultants failed to complete the job and no action was taken against them by the Department.

### 5.1.6 No Maximum limit fixed for payment

The Consultants tend to increase the cost of work for more fees as generally the fees of the consultant is fixed at a certain percentage of the cost of the work. In case, the clause related to maximum ceiling of payment is incorporated in the agreement, then this can serve as a tool to check such tendency of consultants to increase the cost of the project.

**ILLN:** In a office building work, tender was accepted for Rs.10.00 crores but during execution, specifications were changed and actual cost on completion was twice the tendered cost. Thus the consultant was benefited in the same proportion as there was no maximum limit fixed for the consultant's fee.

### 5.1.7 Rates for repetitive works not fixed

In the consultancy agreement, generally nature of repetitive type of work is not defined. Fee for such work should be less as no extra input other than issue of additional set of drawings is required.

**ILLN:** In one work, 4 similar blocks comprising of 100 hostel rooms each were constructed. The Consultants were paid same standard fees for each block. Due to the above the organisation suffered loss at the cost of the consultant.

## 5.1.8 Paid for the services not rendered

In many instances, it was observed that payment was released to the consultants even though services required to be rendered were not complete in all respects, e.g.

complete structural drawings were not submitted by the consultant but payment was released or supervision not done but payment released.

-(to be continued)...

## CIRCULARS ISSUED BY CVC

### Circular No. 31/08/10 dated: 13th August, 2010

#### Sub : Adoption of Integrity Pact - Standard Operating Procedure (SOP).

The Commission vide its circular No. 10/5/09 dated: 18.5.09 issued guidelines on "Standard Operating Procedures (SOP)" for implementation of Integrity Pact in Ministries/ Departments/ Organisations Section 8.02 of the SOP provides financial impact review through independent agency and physical review through an NGO.

The Commission has since reviewed the provisions contained in para 5.02 of the SOP and is of the view that it would be difficult to undertake a separate assessment on the impact of implementation of Integrity Pact in an organisation and has therefore decided to delete Section 6.02(i) & 6.02(ii) of the said circular. An organisations implementing IP would however undertake a general review and assessment of implementation of IP and submit progress through CVO's monthly report to the Commission.

### Circular No.34/10/10 dated: 07th October, 2010

#### Sub : Design Mix Concrete

During inspection of works of many organisations, it has been observed that provisions of IS 456:2000 are neither being followed for designing the concrete mix nor for acceptance criteria. Instances of acceptance of concrete on basis of false certification and without actually testing the cubes for 28 days strength have also been observed. The following deficiencies are brought to the notice of all organisations for immediate corrective action:

1. Minimum cement content, maximum water cement ratio and minimum grade of concrete for different exposures are not adopted as per the details given in Table 5 of above code.
2. Value of standard deviation is not being established on the basis of results of 30 samples are provided in Table 11 of the above code even for works where

more than 30 samples have been tested.

3. For acceptance criteria mean of a group of 4 non overlapping consecutive tests results is not being calculated.
4. The samples where individual variations are more than +/- 15 % of average of three specimens are not declared invalid as per the provisions of clause 15.4 of the Code.
5. The concrete is being declared meeting the acceptance criteria which is not in conformity of codal provisions.

Most of the organisations are not even aware about the amendment No.3 of 2007 modifying clause 15.1.1 of IS 456:2000. All organisations are directed to ensure that provisions of IS 456:2000 read with amendment No.3 should be followed scrupulously for cement concrete and reinforced cement concrete. Non compliance of the provisions shall be viewed seriously.

### Circular No.01/02/11 Dated 11th February, 2011

#### Sub : Transparency in Tendering System

There have been instances where the equipment/plant to be procured is of complex nature and the procuring organization may not possess the full knowledge of the various technical solutions available in the market to meet the desired objectives of a transparent procurement that ensures value for money spent simultaneously ensuring upgradation of technology & capacity building.

2. The Commission advises that in such procurement cases where technical specifications need to be iterated more than once, it would be prudent to invite expression of interest and proceed to finalise specifications based on technical discussions/ presentations with the experienced manufacturers/ suppliers in a transparent manner. In such cases, two stage tendering process may be useful and be

preferred. During the first stage of tendering, acceptable technical solutions can be evaluated after calling for the Expression of Interest (EOI) from the leading experienced and knowledgeable manufacturers/suppliers in the field of the proposed procurement. The broad objectives, constraints etc. could be published while calling for EOI. On receipt of the Expressions of Interest, technical discussions/presentations may be held with the short-listed manufacturers/suppliers, who are prima facie considered technically and financially capable of supplying the material or executing the proposed work. During these technical discussions stage the procurement agency may also add those other stake holders in the discussions who could add value to the decision making on the various technical aspects and evaluation criteria. Based on the discussions/presentations so held, one or more acceptable technical solutions could be decided upon laying down detailed technical specifications for each acceptable technical solution, quality bench marks, warranty requirements, delivery milestones etc., in a manner that is consistent with the objectives of the transparent procurement. At the same time care should be taken to make the specifications generic in nature so as to provide equitable opportunities to the prospective bidders. Proper record of discussions/presentations and the process of decision making should be kept.

3. Once the technical specifications and evaluation criteria are finalized, the second stage of tendering could consist of calling for techno commercial bids as per the usual tendering system under single bid or two bid system, as per the requirement of each case. Final selection at this stage would depend upon the quoted financial bids and the evaluation matrix decided upon.

4. Commission desires that organizations formulate specific guidelines and circulate the same to all concerned before going ahead with such procurements.

**Circular No. 02/02/11 Dated the 17th Feb, 2011**

**Sub : Mobilization Advance**

Commission had earlier issued guidelines on granting of 'Mobilisation Advance' vide OM No. UU/POL/18 dated 08.12.1997, OM No. 4CC-1-CTE-2 dated 08.06.2004 and OM No. 4CC-1-CTE-2 dated 10.04.2007.

2. The matter has been further reviewed and it has decided by the Commission that following additional guidelines may be followed in case of grant of Mobilisation Advance.

(i) The Bank Guarantee etc. taken towards security of 'Mobilisation Advance' should be at least 110% of the advance so as to enable recovery of not only principal amount but also the interest portion, if so required.

(ii) The mobilisation advance should not be paid in less than two installments except in special circumstances for the reasons to be recorded. This will keep check on contractor mis-utilising the full utilisation advance when the work is delayed considerably.

(iii) A clause in the tender enquiry and the contract of cases providing for interest free mobilisation advances may be stipulated that if the contract is terminated due to default of the contractor, the 'Mobilisation Advance' would be deemed as interest bearing advance at an interest rate of \_\_\_\_\_%, (to be stipulated depending on the prevailing rate at the time of issue of NIT) to be compounded quarterly.

## CASE / SYSTEM STUDIES

### 1. Submission of fake E-tickets and Boarding passes for claiming LLTC facility by employees:

Based on a complaint, Vigilance Department carried out an investigation into the allegations that fake E-tickets have been submitted by some employees of RINL for claiming LLTC facility. Vigilance investigation revealed so far that E-tickets and boarding passes submitted by 32 employees are fake. Consequently, disciplinary action has been initiated by the authorities on the delinquents.

### 2. System Study on temporary allotment of company quarters by Town Administration Department:

A study of the system on temporary allotment of quarters in the Township was conducted. Surprise checks conducted at the quarters allotted on temporary basis to the employees revealed that a private person was staying in the quarter. Town Administration Department has been advised to initiate major penalty proceedings against two employees found responsible for the misuse. Suggestions have been made to earmark fixed number of quarters of different types for temporary allotment, for proper monitoring and timely collection of license fee.

### 3. Study on Pre-Qualification Criteria for the work of NEDO model project:

From a study of Pre-Qualification Criteria (PQC) stipulated in the tender for NEDO model project for installation of 20.6 MW waste heat recovery system, it was noticed that the experience criteria mentioned in the NIT is not as per the approved procedures and experience of monthly concrete pouring rate for tender is high and is expected to restrict the competition.

Department was advised to obtain approvals from the competent authority for the deviation and to review the

monthly concrete pouring rate for increasing the competition. In response to the, department has taken necessary approval to adopt new PQC terms.

### 4. System of accounting of imported coking coal at Gangavaram Port Limited (GPL):

Accounting of imported coal handled at GPL is done on 'dry to dry basis'. Thus, moisture content plays vital role in accounting of coal handled. Vigilance investigation revealed that the present system of collection of samples and their analysis is giving hidden tolerance of minimum 0.25% of the cargo handled to the service provider, which is equivalent to Rs 13.46 Crores per annum in terms of value, at the present quantum and price of imported coal. The present system of stacking of coal and security arrangement enables siphoning of excess coal which accrues on account of hidden tolerance. Based on Vigilance suggestions, the department is taking corrective action. For the previous cargo handled, department is initiating steps to make recovery towards cost incurred by RINL towards sampling of coal, which is to the account of GPL as per the contract. Further, the effect of moisture declared by GPL's analyst on the previous cargo handled is being analyzed to make appropriate recovery from GPL.

### 5. Examination of proprietary purchase cases :

Examination of 32 proprietary cases revealed that the dealers/agents had been quoting exorbitant prices to RINL than the manufacturer's price seen on excisable invoice. It was also found that for supply of proprietary items, ITTs are issued to the dealers in most of the cases instead of original manufacturers and offers are received only from dealers. The existing procurement system does not enable detection of exorbitant prices over and above manufacturer's price being quoted by the dealers when RINL places orders on them. In the 32 cases examined

by Vigilance Department, on an average, price charged by the dealers on RINL was 68.74% higher, and in one case, it was as high as 502%. Vigilance suggestions to establish checks and controls in the online system between Excise duty as per Purchase Order and the actual Excise Duty as per excisable invoice are under implementation. On implementation of the vigilance

suggestions, the potential annual savings on account of reduced procurement cost is expected to be around Rs.41 Crores from the present level, even after considering a dealer margin of 10%. For the recent procurements, an amount of Rs.0.41 crores has been withheld after implementation of vigilance observations.

## NEWS AND EVENTS

1. CVO, RINL has taken over additional charge of CVO, Bird Group of Companies on 23.09.2010 from CVO, SAIL at Delhi.
2. Vigilance Department has introduced "Toll Free Number" (1800 425 8878) facility to enable registration of complaints.
3. Vigilance Department attained "5S" Certification. The certificate was awarded during the function held on 30.03.2011 at ED (Works) Conference Hall. CVO appreciated the efforts put by Vigilance Collective in achieving the certification.
4. 1st Surveillance Audit of Quality Management System was carried out on 08.10.2010. The Certifying Agency issued Certificate of compliance for ISO 9001:2008, valid till 07.10.2011.
5. Booklet titled "Fight Against Corruption in Public Life" which was published during Vigilance Awareness Period-2010 has been made available in the Vigilance Portal of intranet.

## Checks carried out by Vigilance Dept. during October 2010 - March 2011

1. Surveillance checks	62
2. Road/Rail Re-Weighments	18
3. Quality checks	16
<b>Total</b>	<b>96</b>

Vigilance activities during the year have resulted in a savings of Rs.252.76 lakhs to the Company, comprising of recoveries effected from parties and benefits accrued from 31 nos. system improvements suggested, in addition to benefits like improvement in transparency, competition in tenders and prevention of corruption. Further, the potential savings on implementation of systemic improvements suggested by vigilance department in five major cases is assessed to be Rs.58 crores approximately to the company.

Editorial Board: **Raju Isaac, DGM (Vig.), PSN Murty, AGM (Vig.) and GY Ramamohana Rao, Mgr (Vig.)**

Please visit <http://comatvsp.vpsite.org/vigilance/Spandana/tabid/70/Default.aspx> to read Spandana online.

Feedback for improvement is welcome and may be sent to [spandana@vizagsteel.com](mailto:spandana@vizagsteel.com)